

# The Daily Bail

We watch CNBC so you don't have to...

« Druckenmiller: 'Interest On The Debt Is Going To Kill Us' | Main | President Choomwagon: Toker-In-Chief »

## Taxpayers Are GIVING Big Banks \$83 Billion A Year!



"The top five banks -- JPMorgan, Bank of America, Citigroup, Wells Fargo, and Goldman Sachs -- account for \$64 billion of the total subsidy, an amount roughly equal to their typical annual profits.

In other words, the banks occupying the commanding heights of the U.S. financial industry -- with almost \$9 trillion in assets, more than half the size of the U.S. economy -- **would just about break even in the absence of corporate welfare.**

In large part, the profits they report are essentially transfers from taxpayers to their shareholders."

---

### Banks Are Not Profitable Without Annual Gift

Why Should Taxpayers Give Big Banks \$83 Billion A Year?

*Bloomberg*

On television, in interviews and in meetings with investors, executives of the biggest U.S. banks -- notably JPMorgan Chase & Co. Chief Executive Jamie Dimon -- make the case that size is a competitive advantage. It helps them lower costs and vie for customers on an international scale. Limiting it, they warn, would impair profitability and weaken the country's position in global finance.

**So what if we told you that, by our calculations, the largest U.S. banks aren't**

FEEDS: EMAIL, RSS & TWITTER

Get Our Stories By Email

Enter Email Here!

Subscribe to RSS Feed

Follow us on Twitter

Subscribe by Email

[Compare Brokers](#)

powered by  
Squarespace



Loan Modification

SEARCH THE DAILY BAIL ARCHIVE  
15,000 VIDEOS

SEARCH THE DAILY BAIL

SPONSORED BY

Ameritrade



Hank Paulson Is A Criminal - P



really profitable at all? What if the billions of dollars they allegedly earn for their shareholders were almost entirely a gift from U.S. taxpayers?

Granted, it's a hard concept to swallow. It's also crucial to understanding why the big banks present such a threat to the global economy.

Let's start with a bit of background. Banks have a powerful incentive to get big and unwieldy. The larger they are, the more disastrous their failure would be and the more certain they can be of a government bailout in an emergency. The result is an implicit subsidy: The banks that are potentially the most dangerous can borrow at lower rates, because creditors perceive them as too big to fail.

Lately, economists have tried to pin down exactly how much the subsidy lowers big banks' borrowing costs. In one relatively thorough [effort](#), two researchers -- Kenichi Ueda of the International Monetary Fund and Beatrice Weder di Mauro of the University of Mainz -- put the number at about 0.8 percentage point. The discount applies to all their liabilities, including bonds and customer deposits.

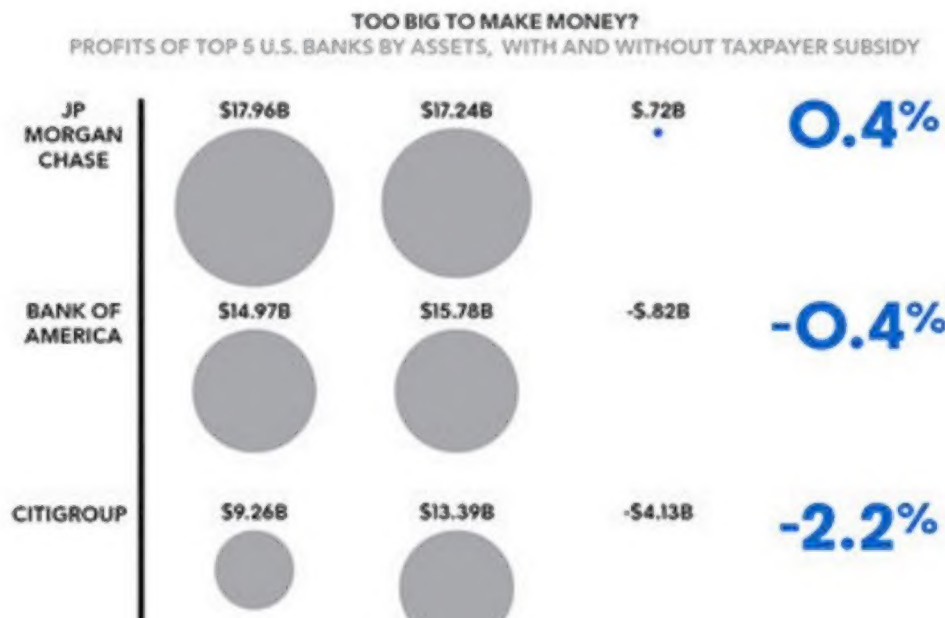
Small as it might sound, 0.8 percentage point makes a big difference. Multiplied by the total liabilities of the 10 largest U.S. banks by assets, it amounts to a taxpayer subsidy of \$83 billion a year. **To put the figure in perspective, it's tantamount to the government giving the banks about 3 cents of every tax dollar collected.**

The top five banks -- JPMorgan, Bank of America Corp., Citigroup Inc., Wells Fargo & Co. and Goldman Sachs Group Inc. -- account for \$64 billion of the total subsidy, an amount roughly equal to their typical annual profits. In other words, the banks occupying the commanding heights of the U.S. financial industry -- with almost \$9 trillion in assets, more than half the size of the U.S. economy -- would just about break even in the absence of corporate welfare. In large part, the profits they report are essentially transfers from taxpayers to their shareholders.

Neither bank executives nor shareholders have much incentive to change the situation. On the contrary, the financial industry spends [hundreds of millions](#) of dollars every election cycle on campaign donations and lobbying, much of which is aimed at maintaining the subsidy. The result is a bloated financial sector and recurring credit gluts. Left unchecked, the superbanks could ultimately require bailouts that exceed the government's resources. Picture a meltdown in which the Treasury is helpless to step in as it did in 2008 and 2009.

[Continue reading...](#)

This graphic shows the enormous size of the subsidy.



Bernanke's Failures Caught On



"The Federal Reserve Is A Ponzi"

Get Our Videos By Email

Can You Handle The Truth!



THE FED UNDER FIRE: Must See Clip



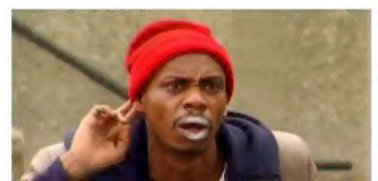
Bernanke's Replacement: Happy Hour In Cruz



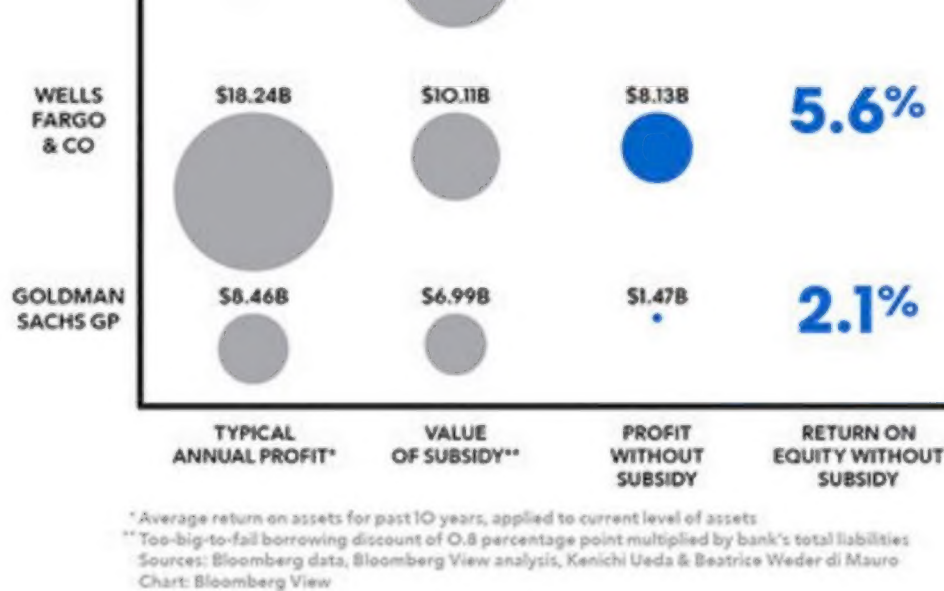
Must See: National Debt Road Trip



"Of Course We're Not Going To Payback the Chinese."







Feb 26, 2013 at 3:15 PM | 3 Comments | Facebook & Twitter | Email Article

View Printer Friendly Version

Email Article to Friend

### Reader Comments (3)

Well, if you can't beat 'em, join 'em. I think I'll buy some Wells Fargo stock tomorrow.

Feb 26, 2013 at 7:43 PM | Exile

Coin in a fishes mouth.

Feb 26, 2013 at 7:56 PM | john

Just watched the Corker and The Bernank exchange on Yahoo video. Corker calls out Ben on savers and seniors and Ben responds with unemployment as a primary goal without addressing savers directly. By not responding directly, The Bernank admits that savers are not a concern at all. Screw em. Moreover, he gets testy and defensive when discussing big bank subsidies upon "exit"...

A defensive Fed chair is not a good sign. Defensiveness is a sign of weakness and fear in the face of real questions...

Feb 26, 2013 at 10:54 PM | Josie



Dave Chappelle On White Collar Crime



Carlin: Wall Street Owns Washington



SLIDESHOW - The 11 States Most Likely to



SLIDESHOW - 7 Really Big Holes - Don't



SLIDESHOW - Molotov Cocktails In C



SLIDESHOW - The Sights, Sounds & Wom



## Post A New Comment

Enter your information below to add a new comment.

[My response is on my own website »](#)

Author:

Author Email (optional):

Author URL (optional):

Post:



All HTML will be escaped. Hyperlinks will be created for URLs automatically.

☐ Notify me of follow-up comments via email.

Create Post

Preview Post



SLIDESHOW - Genius Signs From Irish IM



SLIDESHOW - Egyptian Revolution - G



SLIDESHOW - U.K. Student Riots



SLIDESHOW - Airport Security Cartoon

### MOST RECENT COMMENTS

February 27 - Big Ben on [Druckenmiller: 'The Debt Is Going To Kill Us'](#)

February 27 - john on [John Kerry Comes Swinging On Climate Change](#)

February 27 - j&B Fog on [New Bill Requires \\$1 Million In Liability Insurance To Own A C](#)

February 27 - TR on [Druckenmiller: 'The Debt Is Going To Kill Us'](#)

February 27 - TR on [Druckenmiller: 'The Debt Is Going To Kill Us'](#)

February 27 - TR on [Rand Paul: 'I'm Thinking About Running For President'](#)

February 26 - dogismyth on [RED ALERT: Police Have Arrived!](#)

February 26 - Josie on [Taxpayers Are Giving Banks \\$83 Billion A Year!](#)

February 26 - TR on [NSA Whistleblower: 'The Agency Is Under Virtual Surveillance'](#)



February 26 - tyranny on [RED ALERT: The Cops Have Arrived!](#)

February 26 - sean on [RED ALERT: The Cops Have Arrived!](#)

February 26 - john on [Taxpayers Are Giving Banks \\$83 Billion A Year!](#)

February 26 - Exile on [Taxpayers Are Giving Banks \\$83 Billion A Year!](#)

February 26 - SKINFLINT on [World's Biggest Storage Company Bans All Accounts From Citizens](#)

February 26 - john on [John Kerry Comes Swinging On Climate Change](#)

February 26 - DailyBail on [President Chooses Toker-In-Chief](#)

February 26 - Rhonda Reichel on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Greg Burton on [NSA Whistleblower: 'Everyone Is Under Virtual Surveillance'](#)

February 26 - Sagebrush on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Rhonda Reichel on [CAUGHY TAPE: Obama Lies About Sequester](#)

February 26 - DailyBail on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - DailyBail on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Rhonda Reichel on [CAUGHY TAPE: Obama Lies About Sequester](#)

February 26 - Rhonda Reichel on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Sagebrush on [WATCH: Holder Questioned Over Assassination Policy On Citizens](#)

February 26 - Rhonda Reichel on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Rhonda Reichel on [Rand Paul: 'Thinking About Running For President'](#)

February 26 - Josie on [WATCH LIVE - Bernanke's Senate Testimony On QEternity](#)

February 26 - DailyBail on [WATCH LIVE - Bernanke's Senate Testimony On QEternity](#)

February 26 - DailyBail on [WATCH LIVE - Bernanke's Senate Testimony On QEternity](#)

February 26 - DailyBail on [WATCH LIVE - Bernanke's Senate Testimony On QEternity](#)

February 26 - DailyBail on [WATCH LIVE](#)  
Bernanke's Senate Testimony On QEtern

February 26 - DailyBail on [WATCH LIVE](#)  
Bernanke's Senate Testimony On QEtern

February 26 - DailyBail on [WATCH LIVE](#)  
Bernanke's Senate Testimony On QEtern

February 26 - DailyBail on [WATCH LIVE](#)  
Bernanke's Senate Testimony On QEtern

## CARTOONS & PHOTOS

[Slideshows](#)

## SEARCH